

AMENDED IN ASSEMBLY MARCH 26, 2007

CALIFORNIA LEGISLATURE—2007–08 REGULAR SESSION

**ASSEMBLY BILL**

**No. 831**

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**Introduced by Assembly Member Parra**

February 22, 2007

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~~An act to amend Section 13305 of, and to add Section 13305.5 to,~~  
*An act to add Section 13305.5 to the Government Code, relating to tax expenditures.*

LEGISLATIVE COUNSEL'S DIGEST

AB 831, as amended, Parra. State government: tax expenditure measures and reports.

Existing law requires the Department of Finance to provide an annual report to the Legislature on tax expenditures, containing specified information.

~~This bill would modify that provision to also require the Legislature, on or before July 1, 2009, and on or before each July of each 10th year thereafter, to review all of the tax expenditures, as provided, and repeal those tax expenditures that do not advance or serve a public purpose, as specified.~~

~~This bill would also require that each legislative measure creating a tax expenditure, as defined, provide for only one tax expenditure and include a factual statement of the public purpose advanced or served by that expenditure.~~

*This bill would require the department to review, over a period of 10 years, and make a report of that review to the Legislature of, all of the tax expenditures that exceed \$5,000,000, and make a recommendation to the Legislature as to whether to modify or repeal each tax expenditure. This bill would also require that any legislative measure*

*creating a new tax expenditure, or extending the operation of an existing tax expenditure, meet certain requirements, as specified.*

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1     *SECTION 1. Section 13305.5 is added to the Government Code,*  
2     *to read:*  
3     *13305.5. (a) The Department of Finance shall review, and*  
4     *provide an annual report of the review to the Legislature of, all*  
5     *of the tax expenditures that exceed five million dollars (\$5,000,000)*  
6     *per calendar year that were in existence since January 1, 2008,*  
7     *as follows:*  
8         *(1) Ten percent of the tax expenditures shall be reviewed on or*  
9         *before July 1, 2008, and 10 percent on or before July 1 of each of*  
10        *the succeeding nine calendar years so that all of the tax*  
11        *expenditures shall have been reviewed by July 1, 2018.*  
12        *(2) The review shall include all of the following:*  
13          *(A) An estimate of the revenue losses attributable to each tax*  
14          *expenditure.*  
15          *(B) An evaluation of the benefits attributable to each tax*  
16          *expenditure relative to the revenue losses.*  
17          *(C) A recommendation to the Legislature as to whether to*  
18          *modify or repeal each tax expenditure.*  
19        *(b) On and after January 1, 2008, any legislative measure*  
20        *creating a new tax expenditure, or extending the operation of an*  
21        *existing tax expenditure, shall include all of the following:*  
22          *(1) A legislative finding and declaration of the purposes to be*  
23          *served by the tax expenditure.*  
24          *(2) An estimate of the revenue losses attributable to each tax*  
25          *expenditure.*  
26          *(3) A specific methodology for measuring the benefits to be*  
27          *provided by the tax expenditure, including performance criteria*  
28          *that establish minimum benefits and maximum costs for retaining*  
29          *the tax expenditure.*  
30          *(4) A repeal of the expenditure on a date no later than five years*  
31          *after the effective date of the measure.*

1     (c) For purposes of this section, “tax expenditure” means a  
2     credit, deduction, exclusion, exemption, or any other tax benefit  
3     as provided for by state law.

4     ~~SECTION 1. Section 13305 of the Government Code is~~  
5     ~~amended to read:~~

6     ~~13305. (a) The department shall provide an annual report to~~  
7     ~~the Legislature on tax expenditures by no later than September 15~~  
8     ~~of each year. The report shall include each of the following:~~

9     ~~(1) A comprehensive list of tax expenditures exceeding five~~  
10    ~~million dollars (\$5,000,000) in annual cost.~~

11    ~~(2) The statutory authority for each credit, deduction, exclusion,~~  
12    ~~exemption, or any other tax benefit as provided by state law.~~

13    ~~(3) A description of the legislative intent for each tax~~  
14    ~~expenditure, if the act adding or amending the expenditure contains~~  
15    ~~legislative findings and declarations of that intent, or that legislative~~  
16    ~~intent is otherwise expressed or specified by that act.~~

17    ~~(4) The sunset date of each credit, deduction, exclusion,~~  
18    ~~exemption, or any other tax benefit as provided by state law, if~~  
19    ~~applicable.~~

20    ~~(5) A brief description of the beneficiaries of the credit,~~  
21    ~~deduction, exclusion, exemption, or other tax benefit as provided~~  
22    ~~by state law.~~

23    ~~(6) An estimate or range of estimates for the state and local~~  
24    ~~revenue loss for the current fiscal year and the two subsequent~~  
25    ~~fiscal years. For sales and use tax expenditures, this would include~~  
26    ~~partial year exemptions and all other tax expenditures when the~~  
27    ~~State Board of Equalization has obtained that information.~~

28    ~~(7) For personal income tax expenditures, the number of~~  
29    ~~taxpayers affected and returns filed, as applicable, for the most~~  
30    ~~recent tax year for which full year data is available.~~

31    ~~(8) For corporation tax and sales and use tax expenditures, the~~  
32    ~~number of returns filed or business entities affected, as applicable,~~  
33    ~~for the most recent tax year for which full year data is available.~~

34    ~~(9) A listing of any comparable federal tax benefit, if any.~~

35    ~~(10) A description of any tax expenditure evaluation or~~  
36    ~~compilation of information completed by any state agency since~~  
37    ~~the last report made under this section.~~

38    (b) For purposes of this section, “tax expenditure” means a  
39    credit, deduction, exclusion, exemption, or any other tax benefit  
40    as provided for by the state.

1     ~~(e) (1) On or before July 1, 2009, and on or before each July 1~~  
2     ~~of each 10th year thereafter, the Legislature shall review all of the~~  
3     ~~tax expenditures that have been in existence since January 1, 2008;~~  
4     ~~and shall repeal any provisions of law that provide for tax~~  
5     ~~expenditures if it is determined that the expenditure does not do~~  
6     ~~either of the following:~~

7     ~~(A) Advance a public purpose or policy.~~

8     ~~(B) Serve a public purpose or policy.~~

9     ~~(2) This subdivision shall not apply to tax expenditures related~~  
10    ~~to food, prescription drugs, health services, or residential rent.~~

11    ~~(d) For purposes of this section, "tax expenditure" means a~~  
12    ~~credit, deduction, exclusion, exemption, or any other tax benefit~~  
13    ~~as provided for by state law.~~

14    ~~(e) This section shall become operative on January 1, 2007.~~

15    ~~SEC. 2. Section 13305.5 is added to the Government Code, to~~  
16    ~~read:~~

17    ~~13305.5. Effective January 1, 2008, any legislative measure~~  
18    ~~creating a tax expenditure, as defined in Section 13305, shall meet~~  
19    ~~both of the following requirements:~~

20    ~~(a) The measure may only provide for a single tax expenditure.~~

21    ~~(b) The measure shall include a factual statement of the public~~  
22    ~~purpose or policy that is to be advanced or served by the~~  
23    ~~expenditure.~~